



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee December 6 - 7, 2021 Minutes

KERRI L. HUNTER, CPA
STATE AUDITOR

The Legislative Audit Committee (LAC) convened a hearing on December 6, 2021, at 10:00 a.m. in the Colorado State Capitol, Old Supreme Court Chambers. Representative Dafna Michaelson Jenet called the meeting to order. Roll was called with the following members present:

Committee Members

Representative Rod Bockenfeld, Senator Julie Gonzales (remote), Representative Colin Larson, Senator Robert Rodriguez, Representative Dylan Roberts, Senator Rob Woodward, Senator Jim Smallwood (Vice Chair), Representative Dafna Michaelson Jenet (Chair)

The following Office of the State Auditor (OSA) staff and others attended:

OSA

Kerri L. Hunter, State Auditor; Michelle Colin, Deputy State Auditor; Matt Devlin, Deputy State Auditor; Marisa Edwards, Deputy State Auditor; Jenny Atchley, Ethan Greenberg, Nina Frant, Jenny Page, Cindi Radke, Kate Shiroff, Trey Standley, James Taurman

Other Attendees

Department of Agriculture

Scott Stoller, General Manager, State Fair Authority

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Department of Labor & Employment

Daniel Chase, Department Chief of Staff

Phil Spesshardt, Director, Unemployment Insurance Division

Department of Public Safety

Joe Thome, Director, Division of Criminal Justice

Christopher Lobanov-Rostovsky, Program Manager, Sex Offender Management Board

Department of Regulatory Agencies

Ronne Hines, Director, Division of Professions and Occupations

Michael Nicoletti, Director of Legislative Affairs

Office of Legislative Legal Services

Bob Lackner, Managing Senior Attorney

Other General Assembly Member

Tammy Story, Colorado State Senator

Statewide Internet Portal Authority

Ajay Bagal, Executive Director

Jerrod Roth, Chief Technology Officer

10:01 a.m.

Department of Labor and Employment, Unemployment Insurance Benefits (Public Report), Performance Audit, November 2021

Senator Smallwood made a motion to release the *Department of Labor and Employment, Unemployment Insurance Benefits (Public Report), Performance Audit, November 2021*. Representative Bockenfeld seconded the motion, and the motion passed unanimously.

Ms. Colin introduced self and staff.

Mr. Chase (*Department of Labor and Employment*) introduced self and staff.

OSA staff presented an overview of the report.

Recommendation 1 was reviewed, discussed, and agreed to by the Department of Labor and Employment.

Discussion ensued regarding identity verification for individuals that do not have a social security number.

10:37 a.m.

Department of Labor and Employment, Unemployment Insurance Benefits (Confidential Report), Performance Audit, November 2021

Senator Smallwood made a motion to conduct an Executive Session in accordance with Section 24-6-402(3)(a)(IV), C.R.S., to review the *Department of Labor and Employment, Unemployment Insurance Benefits (Confidential Report), Performance Audit, November 2021*. Representative Bockenfeld seconded the motion, and the motion passed unanimously.

11:17 a.m.

Department of Labor and Employment, Unemployment Insurance Benefits (Public Report), Performance Audit, November 2021

Recommendation 2 was reviewed, discussed, and agreed to by the Department of Labor and Employment (Department).

Discussion ensued regarding documentation, timelines, and best practices for the resolution of claims.

Recommendation 3 was reviewed, discussed, and agreed to by the Department.

Discussion ensued regarding internal controls for documenting the resolution of complaints, and the deployment of the MyUI+ system and new pandemic programs.

12:04 p.m.

General Business

Minutes

Senator Smallwood made a motion to approve the October 25, 2021, LAC hearing minutes. Representative Bockenfeld seconded the motion, and the motion passed unanimously.

12:05 p.m.

Recess

1:34 p.m.

Tax Expenditures Compilation Report, September 2021

Ms. Colin introduced staff.

Mr. Taurman presented an overview of the report.

1:45 p.m.

Annual Report: Status of Audit Recommendations Not Fully Implemented, as of June 30, 2021, Informational Report, November 2021

Senator Smallwood made a motion to release the *Annual Report: Status of Audit Recommendations Not Fully Implemented, as of June 30, 2021, Informational Report, November 2021*. Representative Larson seconded the motion, and the motion passed unanimously.

Ms. Devlin introduced self and staff.

Ms. Page presented an overview of the report.

2:08 p.m.

Colorado Statewide Internet Portal Authority, Evaluation of Web Application Security at the Colorado Statewide Internet Portal Authority, Information Technology Performance Evaluation (Public Report), February 2021, Status Report

Mr. Devlin introduced staff.

Ms. Radke presented an overview of the report.

Mr. Bagel (*Statewide Internet Portal Authority*) introduced self, staff, and presented the status report.

2:14 p.m.

Colorado Statewide Internet Portal Authority, Evaluation of Web Application Security at the Colorado Statewide Internet Portal Authority, Information Technology Performance Evaluation (Confidential Report), February 2021, Status Report

Senator Smallwood made a motion to conduct an Executive Session in accordance with Section 24-6-402(3)(a)(IV), C.R.S., to review the *Colorado Statewide Internet Portal Authority, Evaluation of Web Application Security at the Colorado Statewide Internet Portal Authority, Information Technology Performance Evaluation (Confidential Report)*,

February 2021, Status Report. Representative Roberts seconded the motion, and the motion passed unanimously.

2:23 p.m.

Legislation Discussion

Office of the State Auditor Legislation Tracking

Ms. Colin introduced staff.

Ms. Frant presented a summary of the legislation request and an overview of the bill draft.

Discussion ensued regarding the initial year for implementation of the legislation tracking, funding costs, differences between the bill and SMART act, and the process for moving a bill draft to bill paper.

Representative Michaelson Jenet made a motion to move the bill draft to bill paper. Senator Smallwood seconded the motion. A roll call vote was conducted, and the motion failed 4 – 3, with one excused. The results were as follows:

Representative Bockenfeld – No

Senator Gonzales – Excused

Representative Larson – No

Representative Roberts – Yes

Senator Rodriguez - Yes

Senator Woodward – No

Senator Smallwood – Yes

Representative Michaelson Jenet – Yes

Additional discussion arose regarding the rules for reconsideration of the previous vote.

Representative Larson, having been on the prevailing side, made a motion to reconsider the previous vote. Senator Rodriguez seconded the motion. A roll call vote was conducted, and the motion passed 5 – 1, with two excused. The results were as follows:

Representative Bockenfeld – No

Senator Gonzales – Excused

Representative Larson – Yes

Representative Roberts – Yes

Senator Rodriguez - Yes

Senator Woodward – Excused

Senator Smallwood – Yes

Representative Michaelson Jenet – Yes

Representative Larson proposed an amendment to the previous motion to move the bill forward for preliminary fiscal bill analysis without moving it to bill paper. Senator Rodriguez seconded the motion. A roll call vote was conducted, and the motion passed 5 - 1, with two excused. The results were as follows:

Representative Bockenfeld – No

Senator Gonzales – Excused

Representative Larson – Yes

Representative Roberts – Yes

Senator Rodriguez - Yes

Senator Woodward – Excused

Senator Smallwood – Yes

Representative Michaelson Jenet – Yes

2:51 p.m.

Department of Public Safety, Sex Offender Management Board, Performance Audit, June 2020, Status Report

Ms. Colin introduced staff.

Ms. Atchley presented an overview of the report.

Mr. Thome (*Department of Public Safety*) introduced self, staff, and presented the status report.

3:03 p.m.

Department of Regulatory Agencies, Update on the Prescription Drug Monitoring Program Audit Recommendations

Ms. Hines (*Department of Regulatory Agencies*) presented an overview of the status of the implementation of audit recommendations.

3:12 p.m.

Legislation Discussion

Prescription Drug Monitoring Program

Ms. Colin introduced staff.

Ms. Page presented a summary of the audit finding, recommendations related to the proposed legislation, and an overview of the bill draft.

Senator Smallwood made a motion to move the bill draft to bill paper. Representative Roberts seconded the motion. A roll call vote was conducted, and the motion passed 6 – 1, with one excused. The results were as follows:

Representative Bockenfeld – No

Senator Gonzales – Excused

Representative Larson – Yes

Representative Roberts – Yes

Senator Rodriguez - Yes

Senator Woodward – Yes

Senator Smallwood – Yes

Representative Michaelson Jenet – Yes

Prime sponsors were Senator Smallwood, Senator Rodriguez, Representative Michaelson Jenet, and Representative Larson.

State Fair

Ms. Colin introduced staff.

Mr. Stoller (*Department of Agriculture*) introduced self.

Ms. Page presented a summary of the audit finding, recommendations related to the proposed legislation, and an overview of the bill draft.

Senator Smallwood made a motion to move the bill draft to bill paper. Representative Roberts seconded the motion. A roll call vote was conducted, and the motion passed 7 - 0, with one excused. The results were as follows:

Representative Bockenfeld – Yes

Senator Gonzales – Excused

Representative Larson – Yes

Representative Roberts – Yes

Senator Rodriguez - Yes

Senator Woodward – Yes

Senator Smallwood – Yes

Representative Michaelson Jenet – Yes

Prime sponsors were Representative Roberts and Senator Woodward. Co-sponsors were Representative Michaelson Jenet and Senator Rodriguez.

3:27 p.m.

Audit Requests

Colorado Department of Transportation Contracting Process

Ms. Colin presented an overview of the OSA research regarding the audit request for the *Colorado Department of Transportation Contracting Process*.

Discussion ensued regarding information that was presented in the original audit request letter.

Senator Smallwood made a motion to move forward with the audit request. Senator Woodward seconded the motion. A roll call vote was conducted, and the motion passed 7 – 0, with one excused. The results were as follows:

Representative Bockenfeld – Yes

Senator Gonzales – Excused

Representative Larson – Yes

Representative Roberts – Yes

Senator Rodriguez - Yes

Senator Woodward – Yes

Senator Smallwood – Yes

Representative Michaelson Jenet – Yes

Colorado Public Utilities Commission Gas Pipeline Safety Program

Auditor Hunter presented an overview of the audit request.

Senator Story discussed the details of the audit request.

Discussion ensued regarding action by the Public Utilities Commission on complaints filed with the agency, and if the audit request overlapped with other audits that the Office of the State Auditor currently conducts.

Representative Roberts made a motion to approve the requested preliminary research time. Representative Bockenfeld seconded the motion. A roll call vote was conducted, and the motion passed 7 – 0, with one excused. The results were as follows:

Representative Bockenfeld – Yes
Senator Gonzales – Excused
Representative Larson – Yes
Representative Roberts – Yes
Senator Rodriguez - Yes
Senator Woodward – Yes
Senator Smallwood – Yes
Representative Michaelson Jenet – Yes

3:39 p.m.

Recess

Day 2 – December 7, 2021

The Legislative Audit Committee (LAC) convened a hearing on December 7, 2021, at 9:00 a.m. in the Colorado State Capitol, Old Supreme Court Chambers. Representative Dafna Michaelson Jenet called the meeting to order. Roll was called with the following members present:

Committee Members

Representative Rod Bockenfeld, Senator Julie Gonzales (remote), Representative Colin Larson (arrived 9:05 a.m.), Senator Robert Rodriguez, Representative Dylan Roberts, Senator Rob Woodward (remote), Senator Jim Smallwood (Vice Chair), Representative Dafna Michaelson Jenet (Chair)

The following Office of the State Auditor (OSA) staff and others attended:

OSA

Kerri L. Hunter, State Auditor; Michelle Colin, Deputy State Auditor; Marisa Edwards, Deputy State Auditor; Crystal Dorsey, Greg Fugate, Derek Johnson, Robert Regan, Laura Russell

Other Attendees

Colorado Department of Labor & Employment

Daniel Chase, Chief of Staff

Robert Hanni, Regional Services Manager

Colorado Workforce Development Council

Lee Wheeler-Berliner, Managing Director

Division of Gaming

Dan Hartman, Division of Gaming Director

Vickie Floyd, Division of Gaming Controller (Remote)

Eric Shannon, Division of Gaming Deputy Controller

Office of the State Controller

Bob Jaros, State Controller

Jeffrey Kahn, Director of Financial Reporting & Analysis

State Court Administrator's Office

Steven Vasconcellos, State Court Administrator

CliftonLarsonAllen LLP

John-Paul LeChevallier, CPA, Signing Director

9:01 a.m.

State of Colorado, Cash Funds Uncommitted Reserves, Fiscal Year Ended June 30, 2021, Performance Audit, November 2021

Senator Smallwood made a motion to release the *State of Colorado, Cash Funds Uncommitted Reserves, Fiscal Year Ended June 30, 2021, Performance Audit, November 2021*. Representative Roberts seconded the motion, and the motion passed unanimously.

Ms. Edwards introduced self and staff.

Mr. Jaros (*Office of the State Controller*) introduced self and staff.

Ms. Dorsey presented an overview of the report.

9:11 a.m.

Division of Gaming, Department of Revenue, State of Colorado, Financial Statements, Independent Auditors' Report and Supplementary Information, Years Ended June 30, 2021 and 2020

Senator Smallwood made a motion to release the *Division of Gaming, Department of Revenue, State of Colorado, Financial Statements, Independent Auditors' Report and Supplementary Information, Years Ended June 30, 2021 and 2020*. Representative Roberts seconded the motion, and the motion passed unanimously.

Ms. Edwards introduced staff and contractor.

Mr. Hartman (*Division of Gaming*) introduced self and staff.

Mr. LeChevallier (*CliftonLarsonAllen LLP*) presented an overview of the report.

9:25 a.m.

Judicial Department, State Court Administrator's Office, Performance Audit, November 2020, Status Report

Ms. Colin introduced staff.

Mr. Johnson presented an overview of the report.

Mr. Vasconcellos (*State Court Administrators' Office*) introduced self and presented the status report.

9:42 a.m.

Additional discussion

Discussion ensued regarding a possible future audit of the Department of Health Care Policy and Financing related to the behavioral health system in Colorado, including concerns about the Colorado Community Health Alliance's Medicaid payments to behavioral health providers.

Discussion ensued regarding a possible future audit of the Colorado COVID testing programs.

9:51 a.m.

Department of Labor and Employment, Workforce Innovation and Opportunity Act, Performance Audit, November 2020, Status Report

Ms. Colin introduced staff.

Ms. Russell presented an overview of the report.

Mr. Chase (*Colorado Department of Labor & Employment*) introduced self and staff, and presented the status report.

Mr. Wheeler-Berliner (*Colorado Workforce Development Council*) introduced self and presented the status report.

9:57 a.m.

Colorado Office of the State Auditor, Fiscal Year 2021 Annual Report

Mr. Fugate presented an overview of the report.

Discussion ensued complimenting the OSA for the community service portion of the report.

10:02 a.m.

Proposed 2022 Session Calendar

Senator Smallwood made a motion to approve the *Proposed 2022 Session Calendar*. Representative Bockenfeld seconded the motion, and the motion passed unanimously.

10:03 a.m.

Procedures for January Election of Vice Chair

Auditor Hunter presented the *Procedures for January Election of Vice Chair*. The next Vice Chair will be a Senate Democrat.

10:04 a.m.

Reports Released Without a Hearing

Senator Smallwood made a motion to release the *Reports Released Without a Hearing*. Senator Rodriguez seconded the motion, and the motion passed unanimously.

Ms. Edwards presented an overview of the reports.

Hearing adjourned at 10:07 a.m.

Minutes submitted by:

Jayne Watson

Executive Assistant, Office of the State Auditor